

Research Bulletin

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Siemens Nixdorf Strengthens Professional Services Focus

Siemens Nixdorf Informationssysteme (SNI) has been highly visible as Europe's market leader in sales of packaged turnkey systems for many years. In contrast, the company's broad professional services capability is only now becoming visible. The Professional Services unit has now been set up as a regional profit centre, both as a source of revenue in its own right and as a catalyst for product sales.

The mission of the Professional Services unit covers the whole services value-added chain from consulting to operational support. A prime example of the strength and depth of experience available is the way fixed-price services have been packaged with SNI's R/3 LIVE suite of applications systems. A gain in professional services revenue of 30% during 1993 indicates that SNI is likely to increase its market share again in 1994.

Professional Services Focus on Value-Added Chain

Most equipment vendors competing against SNI have been striving for years to focus sales people and customers onto

their software and services strengths. Only in 1993 did SNI decide that it needs a pre-eminent position in both solutions and services sectors. It set up a Professional Services business to operate closely with account managers operating in all its market channels.

SNI has been criticised in the past for operating on too broad a front in the IT market. Much of its re-organising in 1993 was to strengthen its specialist core competencies. The company now summarises its business direction as twofold:

- To be a leading provider of competitive computer products world-wide
- To be a leading solutions and services provider

The remit of the Professional Services unit extends across all system-related project services. Product and customer support services and training are handled within other units.

SNI defines its professional services, throughout the whole IT value-added

chain, as including everything from consulting to customer-specific software development and realisation. These stages are seen as:

- Strategic planning
- IT concepts
- Realisation of solution
- Integration
- Training
- Operation

In addition, SNI has other groups of experts with core competences in:

- Mainframe/UNIX
- Office/Desktop
- Networking
- CASE
- Application software
- Third-party products

The Professional Services unit does not sell products, but can sell service direct to clients without involving the product sales force.

SNI Gets Organised for Professional Services

In April 1993 SNI established a new matrix organisation structure. The nature of this new structure is shown in Exhibit 1. This introduced a strong sales focus on customer account management.

Demand for the value added by professional services is recognised within SNI as a powerful driving force in the computer market. In October 1993 the company confirmed professional services as a key strategic capability within every country operation. SNI sees no advantage in imposing a uniform professional services structure on different countries or regions. But there are guide lines for each unit in order to provide a common SNI Professional Services culture for project management and quality assurance.

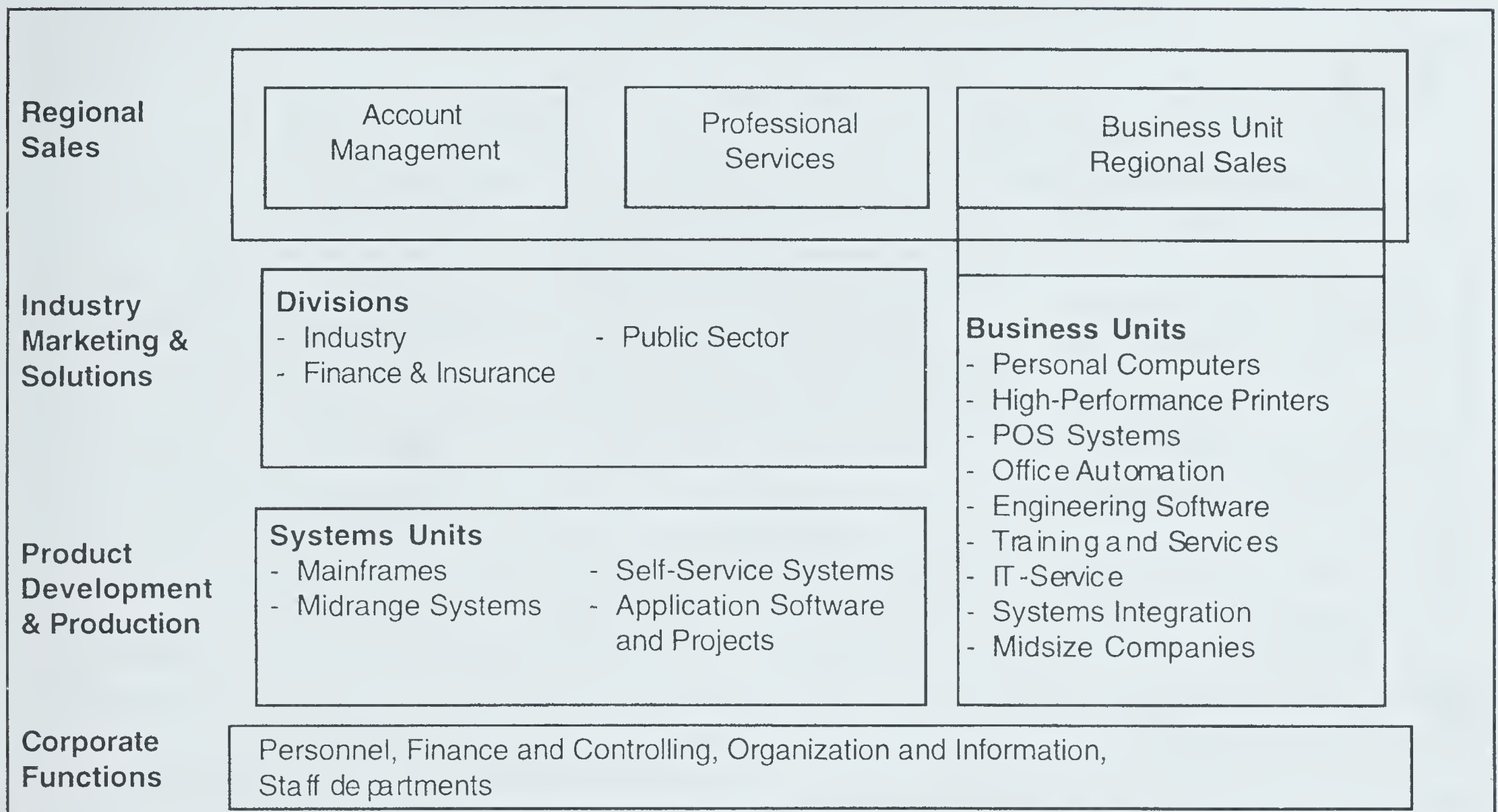
The new organisation's task is to establish professional services capability as a business winning asset for SNI. Judging by the increased professional services revenues obtained in 1993, it is already having some success.

The business objectives of the Professional Services unit at SNI are:

- To be the systems house for SNI's regional markets, providing all types of professional services including those for turnkey systems and systems integration projects. (Education and training functions are managed by another business unit.)
- To be a profit centre with a sales and marketing mission for professional services
- To support the sales units with specific SNI product-related expertise.

Exhibit 1

Siemens Nixdorf Organisation



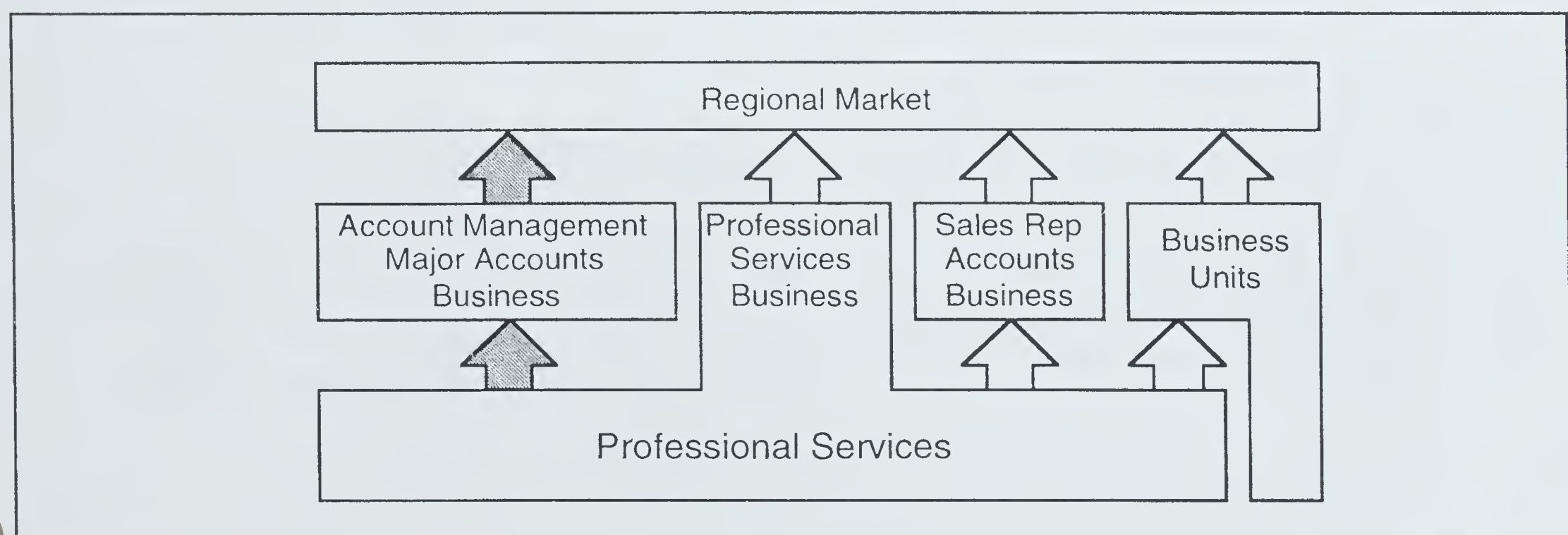
Source: Siemens Nixdorf, Updated April '94

The Professional Services unit has a variety of relationships with other business units in SNI. Exhibit 2 illustrates the different roles the unit can play in delivering services to regional markets.

There is no single preferred route to market for the professional services function in each country. Channel strategy depends strongly on the historic focus of a country subsidiary.

Exhibit 2

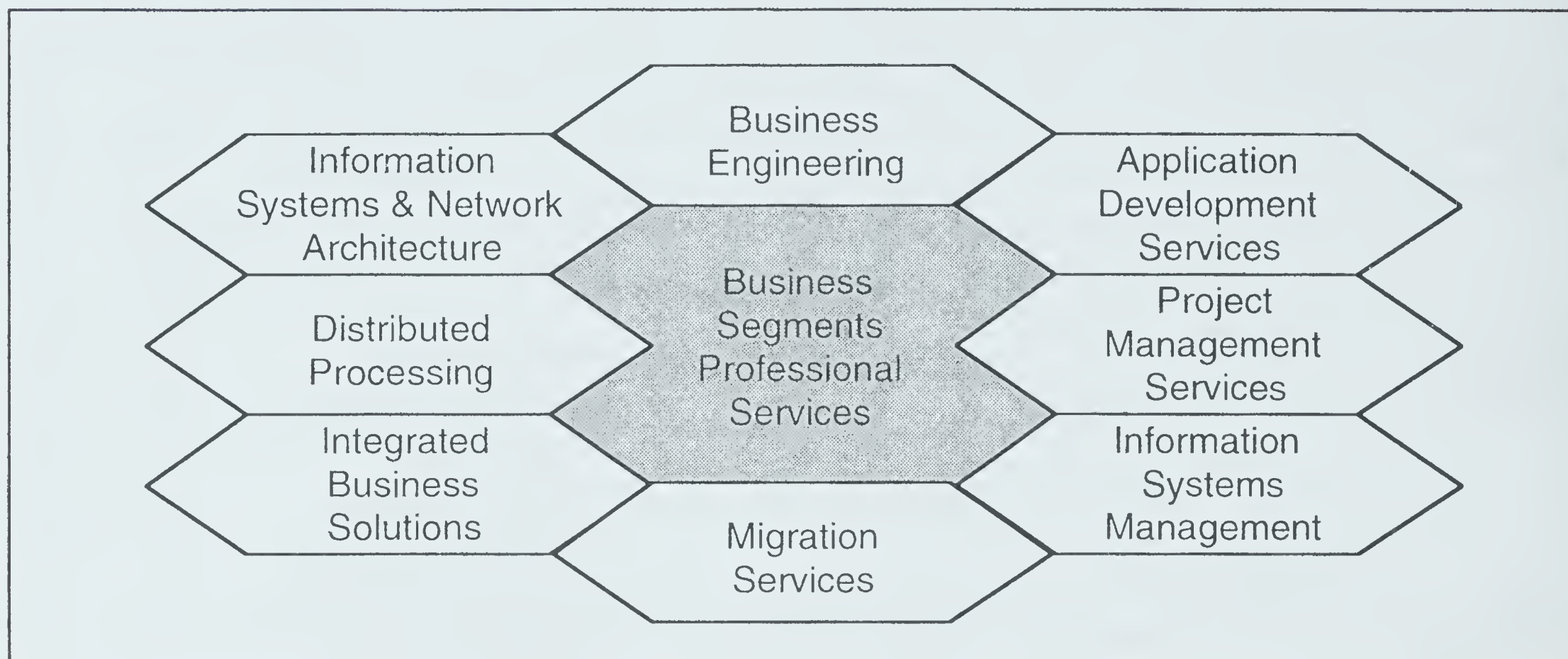
Professional Services Channels to Market SNI



Source: SNI

Exhibit 3

SNI Range of Professional Services



Source: SNI

Exhibit 3 illustrates the breadth of services offered by SNI.

Services Packaged for R/3 LIVE

An important element of the newly formed Professional Services unit is its dedicated marketing group. A recent example of a services initiative is SNI's launch of a package of services for SAP's UNIX-based integrated business applications suite R/3. Exhibit 4 shows the major components of the services package.

The objective is to make it easy to buy services for the design, implementation, support and operation of an R/3 system. Conventionally these stages have all been very variable in price and content. This made it difficult for the customer to make purchase decisions or measure results.

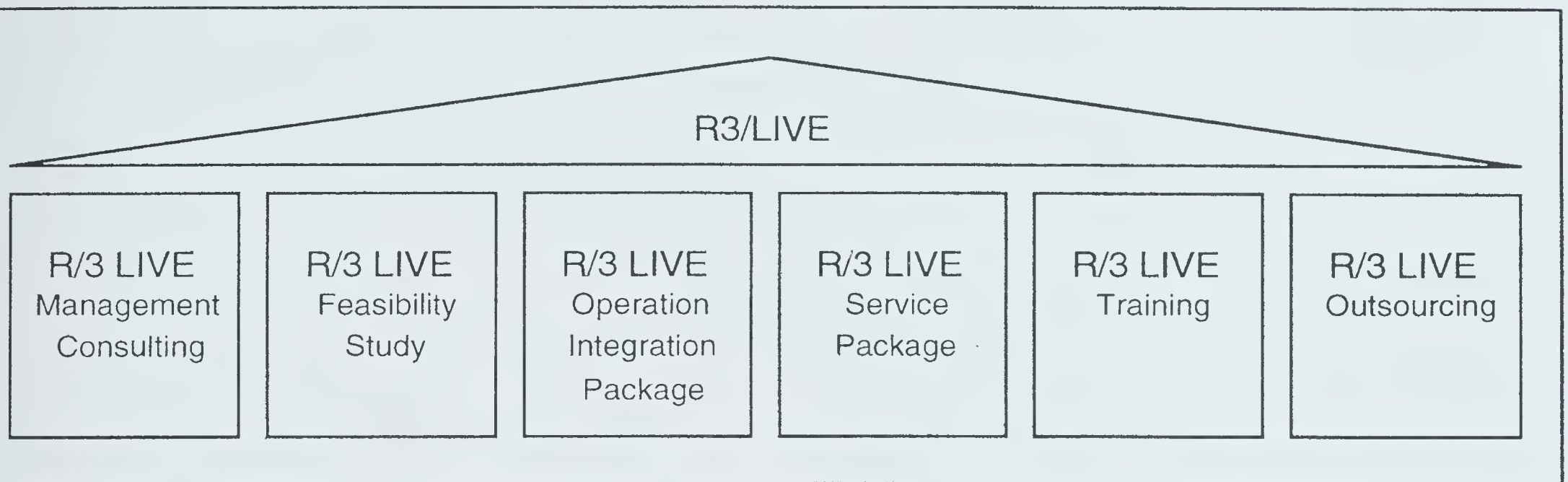
SNI have packaged up the services to make each element much more predictable in terms of cost and time scale, often with fixed prices for elements.

SNI expect to be relatively self-sufficient when it comes to implementing such systems, with only limited call on third parties. Numerous new partnerships with management consultants or specific solution providers are being formed to support clients with specific business or industry needs outside of SNI's core competencies.

Self-sufficiency in the past has left SNI with a weaker third-party channel structure than many of its competitors. The Professional Services unit recognises that it needs to co-operate more with consulting firms and software houses.

Exhibit 4

SNI's R/3 LIVE Service Concept for SAP's Application Software Product R/3



Source: SNI

It also plans more integration of third-party products. But it may remain weak in its use of VARs compared to other equipment vendors.

SNI puts great emphasis on project quality, applying uniform methods and tools across the world and gaining ISO 9001 certification. It intends to retain overall project responsibility as a primary customer benefit, even when working with partners.

Market Share Increases

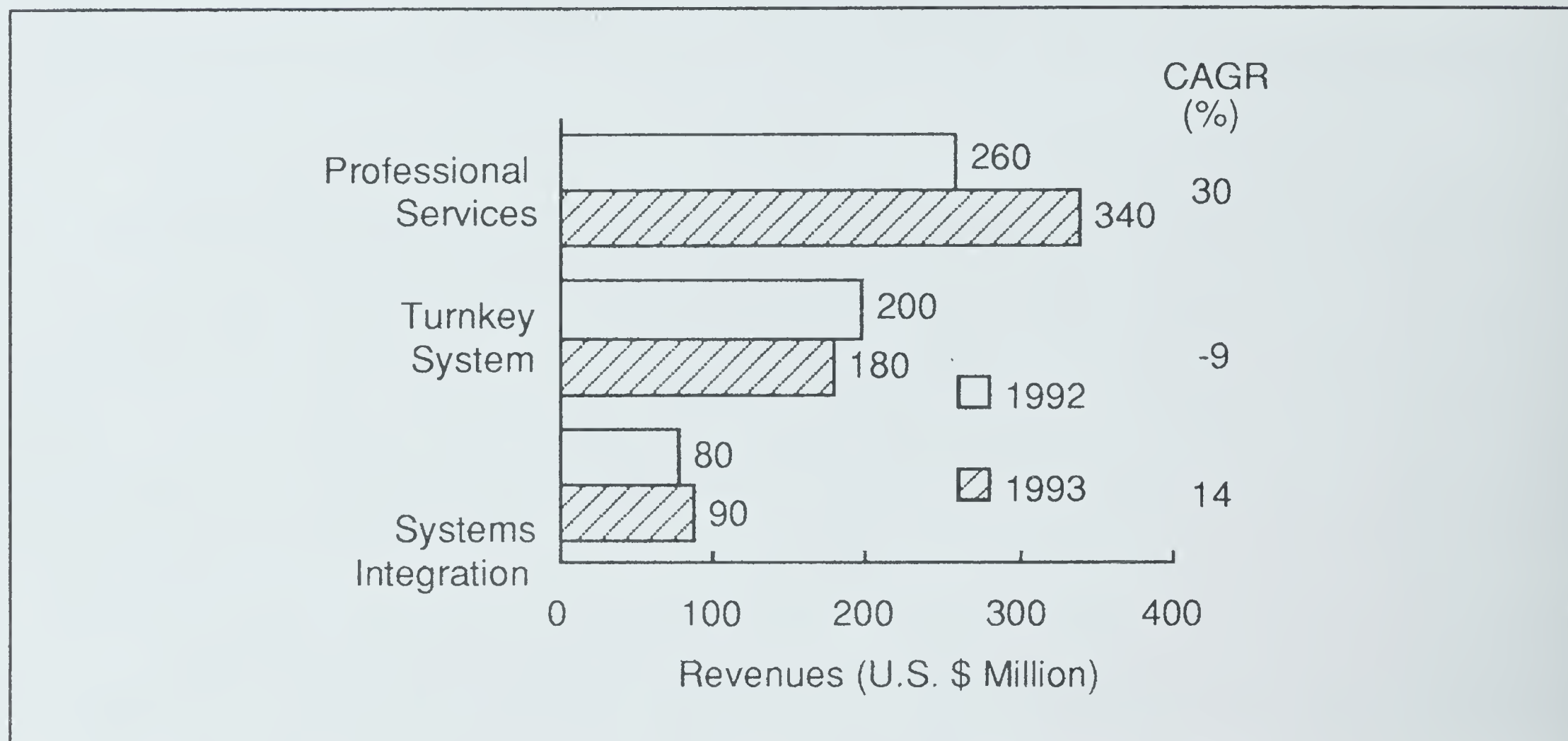
SNI's European Professional Services unit revenues increased 8% overall in

1993. Exhibit 5 shows that turnkey system services fell but systems integration services and other professional services rose. These are the first indications that SNI is capable of winning an increased market share in the professional services sector.

The professional services market as defined by INPUT as a delivery mode was only forecast to grow by 4% in Europe during 1993. SNI's achievement of \$340 million revenues in this sector gives it an estimated 1.4% market share, putting it in 8th place among the leading vendors in Europe.

Exhibit 5

Professional Services Unit Revenues SNI, Europe



Source: SNI

This Research Bulletin is issued as part of INPUT's Information Services Market Analysis Programme—Europe. If you have questions or comments on this bulletin, please call your local INPUT organisation or Peter Lines at INPUT, 17 Hill Street, Mayfair, London W1X 7FB, U.K. Tel: +44 (0) 71 493 9335.